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A Million Reasons Why I Love Gold

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In almost three decades in and around Wall Street, I've never seen such widespread distaste and outright hatred of an investment that for almost a decade has greatly outperformed just about every other investment vehicle: gold. I will discuss why I believe this is the case in a moment, but I want to first respond to what I can only describe as one of the "Three Stooges of Gold Forecasting's" latest forecasts that has once again caused near hysteria among gold players and the media that follows it.

Dennis Gartman, a true master of self-promotion but who's actual track record (if anyone in the media actually delved into it I believe they would see for themselves) better suits him for the lead role in "The Boy Who Cried Wolf," has once again grabbed headlines with yet another the-gold-bull-market-is-over assertion.

Mr. Gartman is one of three people who many in the media continue to quote despite a nearly decade-long poor overall track record on gold. He, Jeff Christian and Jon Nadler have demonstrated to me (and I suspect many others) that a broken

clock's percentage of telling the correct time in any given day is about the same as their actual accurate forecasts for gold in the last decade.

Yours truly has called this the "mother" of all gold bull markets and, by making the following offer to the Three Stooges of gold forecasting, I would like to offer up a million reasons why:

I will wager any one of them (or a combination of all three) one million dollars U.S. that gold will hit \$2000 before it hits \$1,000 on the COMEX. I have arranged for the law firm of Lomurro, Davison, Eastman & Munoz of Freehold, New Jersey to hold the funds in trust. For once, let one or all of the most arrogant and often wrong gold forecasters truly put their money where their mouth is when it comes to gold forecasting. This offer shall be good until midnight, December 31, 2011 (I will donate my winnings to charities).

With regard to gold and the fact that I was supposed to be on vacation until January 3rd, I will be short and sweet: the great "Bull Run"



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won't end until the price of gold has at least a "2" in the front (\$2,000+).

In a nutshell, gold basically traded between \$300 and \$500 from the time it began free trading in the early 70s. It did briefly overall hit the mid \$800s in early 80s. Up until the new millennium began, gold was greatly hindered by three factors, all of which are no longer negatives:

- Large-scale Central Bank selling;
- Gold producers cutting their noses to spite their faces by selling large quantities of production forward (hedging);
- No vehicle that could provide institutional type investors the ability to acquire/control large quantities of gold easily and provide liquidity. (The choices were purchasing physical bullion with costs and storage concerns and/or mining shares that proved more than once not to be exactly like owning gold).

These three former great negatives became major positives when:

- The Washington Accord was reached and Central Bank sales first became managed and then eventually turned into net buying;
- Producers like the old American Bar-

rick (now Barrick Gold), who were more commodity traders than miners and used sophisticated hedging strategies to net much higher prices for gold than simply selling their production, were scorned for selling forward and it became evil to do so among investors;

- The creation of Exchange-Traded Funds (ETFs) allowed institutions to make gold part of their portfolios in an easy and liquidity-driven way and ended up tipping the scales heavily in favor of demand over supply.

The Three Stooges and the overwhelming negative gold pundits who think like them (Are all over the airwaves today) could only not ever grasp this changed landscape, but they could never also accept that despite widespread proof that all types of markets worldwide have been manipulated, that somehow manipulation didn't occur in the gold market. Their favorite response was/is, "if gold is/was manipulated, how then did the market rise so much?" trying to suggest it should be much lower if people truly were trying to hold it down. These "pied pipers" of the hate gold crowd would want you to believe that the widespread

corruption that has become evident in financial markets worldwide somehow doesn't take place in gold and silver.

And that brings me to the final piece of the puzzle that has made up the gold game since it first started trading freely in the 1970s: gold is, and shall always be, hated by the overwhelming majority of people who work in the financial services industry and the media that follows it. You're never ever, ever, ever, ever, ever, ever going to find universal overall support for gold because to do so would equate to undermining what drives the financial services industry worldwide – the buying and selling of financial assets. Just like you will never hear a Ford dealer tell you to buy a Chevy or an Atheist tell you to love Jesus, an industry that makes its living selling stocks and bonds isn't going to tell you to load up on something that usually benefits from their misfortunes. And neither shall the media in general who lives off those selling stocks and bonds.

So stop looking for the "crowd" to be gold lovers. In fact, when they come remotely close to that (like they did in *"Gold" continued on page 8*



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**PNEUMATIC PERCUSSION
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“Gold” continued from page 7

September), it’s always a sign that a top of some type is near. Instead, recognize the fundamental changes I spoke of that make up the gold market, throw in the fact that the world has gone mad with the printing of paper money and an epic crisis in the Middle East is coming in 2012, and use this correction in gold to add to or finally take ownership in the last great buying opportunity before the Three Stooges and their legion once again get bloodied and gored by the mother of all gold bull markets.

Because it’s that time of year when market moves can be exaggerated due to lack of liquidity, and the fact that the haters are having one of their “rare” opportunities to pound their chests (look at all the negative gold comments in the last 48 hours. Even Hulbert noted bullish sentiment near zero), it would come as no surprise to see the September lows of \$1531 gold and \$26 silver tested and/or broken briefly. One of the true best timers and good friend Mark Leibovit pointed out to me that cycle lows are not due for another month or so. Knowing this and the technical damage that has been done, there’s no need to rush and mortgage the house to buy gold. An accumulation program with time and price targets over the next several weeks should IMHO lead to a very nice capital gains Christmas present this time next year.

Finally, when the bears are once again proven wrong and we go over \$2,000, the media shall finally ask them why they got it wrong yet again versus asking those of us who had it right for a decade why is it temporarily down..... NOT!

Peter Grandich is the founder of Grandich.com and Grandich Publications, LLC, and is editor of The Grandich Letter which was first published in 1984. On his internationally followed blog he comments daily about the world’s economies and financial markets and posts his views on social and political topics. The result is an insightful and intuitive look at business, finances and the world, set in a vernacular that just about anyone can understand.

He is a member of the National Association of Christian Financial Consultants, and a long-standing member of The New York Society of Security Analysts and The Society of Quantitative Analysts.



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